Definitions:

C = real annual coupon, payable semiannually = 3.375

i = real yield = 0.03449

n = number of full semiannual periods from issue date to maturity date = 19

r = number of days from settlement date to next coupon date = 159 (February 6, 1997, to July 15, 1997)

s = number of days in current semiannual period = 181 (January 15, 1997, to July 15, 1997)

Ref CPI$_{\text{January 15, 1997 (dated date)}}$ = 158.43548

Ref CPI$_{\text{February 6, 1997}}$ = 158.60000

SA = Settlement Amount

Resolution:

Index Ratio$_{\text{February 6, 1997}}$ = Ref CPI$_{\text{February 6, 1997}}$ / Ref CPI$_{\text{January 15, 1997}}$ =

158.60000/158.43548 = 1.00104

v^n = 1 / (1 + i/2)^n = 1 / (1 + 0.03449/2)^{19} = 0.72262717

$a_{\overline{n}}$ = (1 - v^n) / (i/2) = (1 - 0.72262717) / (0.03449/2) = 16.08424645

$$P = \frac{(C/2) + (C/2)a_{\overline{n}} + 100v^n}{1 + (r/s)(i/2)} - [(s-r)/s](C/2)$$

$$P = \frac{(3.375/2) + (3.375/2)(16.08424645) + 100(0.72262717)}{1 + (159/181)(0.03449/2)} - [(181-159)/181](3.375/2)$$

P = 99.378686

P = 99.379

P$_{\text{adj}}$ = P x Index Ratio$_{\text{February 6, 1997}}$

P$_{\text{adj}}$ = 99.379 x 1.00104 = 99.482354

P$_{\text{adj}}$ = 99.482

A = [(181-159)/181] x 3.375/2 = 0.205110

A$_{\text{adj}}$ = A x Index Ratio$_{\text{February 6, 1997}}$

A$_{\text{adj}}$ = 0.205110 x 1.00104 = 0.205323

SA = P$_{\text{adj}}$ + A$_{\text{adj}}$ = 99.482 + 0.205323

SA = 99.687323

Note that, for the real price (P) and the inflation-adjusted price (P$_{\text{adj}}$), Treasury has rounded to three places. For accrued interest (A) and adjusted accrued interest (A$_{\text{adj}}$), Treasury has rounded to six places. These amounts are based on 100 par value.